

**Mr. William Clarke C.D,  
President and CEO Scotiabank Jamaica  
Annual General Meeting  
February 18, 2005  
Jamaica Pegasus Hotel**

Ladies and Gentlemen, at last year's Employee Annual General meeting I challenged the staff of BNSJ to aim high, despite the prevailing economic and environmental conditions, because, as the saying goes: ***“Great Goals make you stretch.”***

Today, I am proud to stand on their behalf and report that 2004 was another exceptional year for your Bank, as we achieved record performance with net income of \$5,856 million.

This marked the eighth consecutive year of increased profit for Scotiabank Jamaica, and was accomplished in a very challenging economic climate, which saw significant reductions in market interest rates.

The annual report that you have all received speaks further to the details of our 2004 performance; therefore while we will take any questions you may have later in the meeting, I wish to confine my remarks to the direction we are taking in 2005.

## **FIRST QUARTER RESULTS – Q1/ 2005**

Yesterday we announced our results for the quarter ended January 31, 2005. We reported net income of \$1,422 million.

Although the interest rate trend has reversed, and we are now seeing some of the lowest interest rates in Jamaica's history, we continue to report solid performance. Our earnings are from core business; as a consequence they are sustainable as we expand the various business lines.

Volatility in earnings are inconsistent with prudent banking practices, therefore we do not have to boost our earnings by trading in the equity or fixed income markets -- you our shareholders deserve better-- and hence we are able to provide you with a consistent stream of high quality income.

We are able to do this through our overall strategy, which is grounded in our core strengths, and focused on sound fundamentals –

- Solid execution of our plans;
- Careful management of risks and expenses;
- And if I must say so our productivity ratio, which, at 53.24%, continues to lead the financial services industry;

- And the total commitment of our team of over 1,800 dedicated Scotiabankers.

Total Assets as at January 31, 2005 were \$172 Billion, an increase of \$19 Billion or 12% from the previous year. Loan growth is a major contributor to the increase in assets with year over year growth of \$5 billion.

Deposits grew to \$105 Billion; up 13% from the previous year, reflecting ongoing confidence in Scotiabank.

We also strengthened our capital through solid growth in earnings with total shareholders equity growing to \$21.2 Billion at the end of January.

## **DIVIDENDS**

Yesterday we announced an interim dividend of 50 cents per stock unit. We are very proud that we have continuously paid you, our shareholders an increased dividend **every year** since 1967.

## **BONUS SHARE ISSUE**

Every year for the past four years at this Annual General Meeting you have asked for a bonus share issue. Well, we are very pleased to announce that today; a **resolution will be moved for a one-for-one bonus share issue to stockholders on record as at March 10, 2005. This is the first bonus share allocation since 1997.**

## **SUBSIDIARIES**

### **SJIM**

Scotia Jamaica Investment Management recorded a credible performance in 2004, with net income of \$244 million. The client portfolio grew significantly from \$18.5 Billion in 2003 to \$24.2 Billion at the end of 2004.

2005 will see a shift in SJIM's focus through increased visibility in the market and an expansion in its network of financial advisors.

A Jamaican dollar Money Market fund will also be introduced in 2005, which will facilitate access to smaller investors who are interested in growing their wealth over time.

## **SJLIC**

Scotia Jamaica Life Insurance Company Limited (SJLIC) continued its strong performance in 2004, with an 8% increase in net income over 2003, totaling \$937 million.

SJLIC's strategic plan for this year includes a series of phased enhancements to the ScotiaMINT product. Phase 1 was successfully implemented in November 04, which involved increasing the amount of accidental death insurance coverage for all eligible policyholders, and introducing guarantees on mortality and interest, at no additional cost to policyholders.

In addition to sustaining the Net Worth Campaign for ScotiaMINT, future phases of the expansion will see further enhancements to ScotiaMINT and exciting expansions of the company's product line.

## **SJBS**

2004 marked the 10th Anniversary for The Scotia Jamaica Building Society, which realized a profit of \$300 Million. SJBS has renewed its savings offering by re-branding its savings products – Scotia Achiever and Scotia Optimum - with an emphasis on savings for lifelong goals, such as home ownership and education. 2005 will see a continued focus on providing innovative mortgage offerings.

## **SJGIB**

The operations of Scotia Jamaica General Insurance Brokers were significantly scaled down in late 2004 and all sales and marketing activities were discontinued. This was done against the background of high operating costs and insufficient revenue from commission to provide a reasonable profit margin.

## **Operations & Service Delivery**

You will recall that at last year's AGM, I promised that during 2004, we would be introducing one of the most modern technology platforms in the Banking Industry in Jamaica: the International Banking Platform (IBP).

Well, we made good on this promise, which represented a significant investment by your bank. IBP has significantly transformed transactional banking in all our branches across the island into almost "paperless banking".

Perhaps the most powerful benefit of this technology is that it doesn't matter at which branch of BNSJ the customer maintains his/her account, the transaction can be conducted at any BNSJ branch the customer chooses...**real time, any branch banking.**

The technology also allows for effective dialogue between our customers and staff during the application-taking process for loans, enhancing our capacity for relationship banking. There is a built-in credit-scoring feature, which enables quicker assessments and faster approval of loans. With the new system, we are achieving better than 24-hour turnaround for retail credit decisions in many cases.

We have continued extensive renovation and refurbishing of our branch offices across the island as we endeavor to make our facilities more comfortable for both our staff and customers.

These efforts include new signage at all our branches and ABM locations as we strive to improve on our visibility in the various locations.

The Portmore Branch opened in June 2004, with an outstanding service plan designed to meet the unique needs of this special community. We are very proud of the impact that the Branch has had in its first seven months of operation.

### **Service Improvement Opportunities**

While we have made some important strides in our quest to improve our service delivery, we recognize that there are still opportunities for improvement.

One major challenge is the occurrence of long lines in our banking halls. However, we are convinced that as customers become accustomed to using their Scotiacards inside the Branches and at the alternative delivery channels, we will see shorter line-ups, faster service and a net result of improved service delivery.

We will be taking steps during this year to improve our complaints management system by:

- Automating the process (which is now manually driven at branches/units) and
- Ensuring that there is an interface between executive offices and branches to properly record, review and track all customer complaints through to resolution.

### **ScotiaCard and Electronic Banking Channels**

The focus this year on Electronic Banking will be to continue to reposition the ScotiaCard as the key to banking. Currently, over 50% of all our retail customers have a ScotiaCard and of that number 54% actively use the ScotiaCard to do banking transactions whether in branch, via Internet, TeleScotia, point of sale terminals or the ABM.

## **Business Internet Banking**

Our commercial customers will be happy to hear that this year we will be rolling out Internet Banking on a phased basis to our business customers and over time, replacing our existing Cash Management Service (CMS) with this facility.

## **Payroll/Payment Card**

We are also well on the way with the plans to launch a “payroll card” for sale to our commercial customers who are currently using cheques to pay their employees. The primary objective of this product is to provide a “win-win” solution for our commercial customers and the bank in handling the volumes associated with cheque encashment at pay periods.

It will replace cheques with a plastic card that will enable the employee to draw down on salary payments at his/her convenience at any ABM or point of sale terminal.

## **Retail Deposits**

Our market share of retail deposits remains relatively strong, with BNSJ holding approximately 47% of total retail deposits in the local market. We will be enhancing some of our existing deposit products to ensure that our products remain relevant and appropriate to meet the needs of the consumers in the market.

## **Our People**

Our successes and our plans could not be achieved without a team that is talented and committed. We continue to reengineer our policies and processes to ensure that we continue to *“add value on the inside as we create value on the outside”* (as the Human Resources motto declares). The aim is to create an environment where employees can be truly fulfilled in their jobs and maximize their potential.

Human Resources have made great plans for this fiscal year, in keeping with our thrust to facilitate the development of a strong learning organization here at BNSJ. We will continue to invest in the career development of our team members.

Staff innovation at all levels remains a primary focus and we will boost performance levels through targeted coaching to help us maintain healthy productivity ratios. On the other hand, regional recreational efforts designed to promote balanced lives among employees will bring the wellness and recreational needs of the organization into sharp focus.

## **Corporate Responsibility**

***As you heard from Rob***, Scotiabank believes that contributing to the well being of the communities in which we do business, is an important part of who we are and what we do.

In 2004, through donations, sponsorships and working with local communities, Scotiabank contributed \$40 million and the Scotiabank Jamaica Foundation more than \$69.4 million, to numerous organizations and causes across Jamaica.

### **MEFL**

Micro Enterprise Financing Limited (MEFL), our partnership with CIDA and KRC, which was set up in late 2002 to provide unsecured loan financing to micro entrepreneurs, has just completed its second year of operation.

MEFL has now expanded into eight inner city/renewal zones in Kingston & St. Andrew along with Portmore. The following statistics as at Jan.31/05 demonstrates the impact and success of the project after two years of operation:

- 344 Groups
- 1,047 active clients
- 4,216 loans disbursed valued at \$62.5 million
- 97% repayment rate
- Portfolio at risk (delinquency) 4.26% against international benchmark of 5%

Over 75% of these loans were granted to women – mainly single mothers who are the sole breadwinners for their families.

In 2005 MEFL will be expanding into areas outside of Kingston, offering access to loans, business development training and savings facilities to entrepreneurs in rural Jamaica. The first branch will be opened in Santa Cruz in June 2005.

## **Scotiabank Jamaica Foundation**

We expect that in 2005, the Scotiabank Jamaica Foundation will continue to distinguish itself as a major team player in nation building, continuing to focus on the health and education sectors as well as community projects. The Foundation's commitment for this year totals approximately \$109.97 million.

Work will commence this year on the Maternal and Child Care Centre that was announced at the AGM in 2003. This project was delayed as we were waiting on the government to identify a suitable location.

The major new projects for the year are:

- Construction of a Lecture Theatre at the Montego Bay Community College;
- Acquisition of additional equipment for the Cornwall Regional Hospital Haemodialysis Centre;
- Partial sponsorship with the Rotary Club of St. Andrew in a project for accommodating street boys;

- The Urban and Regional Planning Internship with UTECH

## CONCLUSION

Ladies and gentlemen, the results for 2004 and the first quarter of 2005 affirm that the Scotiabank Jamaica team is not overwhelmed by challenges, but has the depth and breadth of talent to ride out troubled waters.

As I quoted from Benjamin Disraeli to our employees in 2004, ***the secret of success is constancy to purpose.***

We remain focused on our goal to provide solutions for our customers, profit for you, our shareholders and a satisfying work experience for our employees.

We confidently anticipate an outstanding 2005.

*Thank you.*